



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Fish, Wildlife and Parks

*For the Two Fiscal Years Ended
June 30, 2007*

OCTOBER 2007

LEGISLATIVE AUDIT
DIVISION

07-18

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LEGISLATIVE AUDIT DIVISION

Scott A. Seecat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

October 2007

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report for the Montana Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 2007. Our report contains six recommendations related to compliance with written contracts, expenditure approval control, draws of federal cash, diversion of general license account funds, recording of multi-year easements, and revenue recognition. The department's written response to the audit recommendations is included in the back of the report.

We thank the director and his staff for their assistance and cooperation during the audit.

Respectfully submitted,

/s/ Scott A. Seecat

Scott A. Seecat
Legislative Auditor

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APPOINTED AND ADMINISTRATIVE OFFICIALS

Montana Fish, Wildlife and Parks Commission	<u>Term Expires</u>		
	Steve Doherty, Chairman	Great Falls	2009
	Shane Colton, Vice Chairman	Billings	2009
	Willie Doll	Malta	2011
	Dan Vermillion	Livingston	2011
	Victor Workman	Whitefish	2009

Administrative Officials	M. Jeff Hagener, Director
	Chris Smith, Chief of Staff
	Larry Peterman, Chief of Field Operations
	Sue Daly, Chief of Finance
	Ron Aasheim, Administrator, Communication and Education Division
	Jim Kropp, Administrator, Enforcement Division
	Glenn Erickson, Administrator, Field Services Division
	Chris Hunter, Administrator, Fisheries Division
	Barney Benkelman, Administrator, Information Services Division
	Joe Maurier, Administrator, Parks Division
	Ken McDonald, Administrator, Wildlife Division

For additional information concerning the Department of Fish, Wildlife and Parks, contact:

Sue Daly, Chief of Finance
 1420 East Sixth Avenue
 PO Box 200701
 Helena MT 59620-0701
 (406) 444-4786
 E-mail: sdaly@mt.gov

REPORT SUMMARY

Department of Fish, Wildlife and Parks

This audit report is the result of our financial-compliance audit of the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 2007. We issued an unqualified opinion on the financial schedules contained in this report. This means the reader may rely on the information presented in the financial schedules and the supporting data on the state's accounting system.

This report contains six recommendations directed to the department. These six recommendations address compliance with written contracts, expenditure approval control, draws of federal cash, diversion of general license account funds, recording multi-year easements, and revenue recognition.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department monitor procedures to ensure personnel comply with contract terms when approving contract payments.....5

Department Response: Concur.....B-3

Recommendation #2

We recommend the department document the authorized approvers for payments from each project grant.6

Department Response: Concur.....B-3

Recommendation #3

We recommend the department seek federal reimbursement at the time expenditures occur as allowed by federal regulation and required by state law.7

Department Response: Concur..... B-4

Recommendation #4

We recommend the department use General License Account funds for allowable purposes.....8

Department Response: Concur..... B-4

Recommendation #5

We recommend the department record the purchase of long-term easements in compliance with state accounting policy.8

Department Response: Concur..... B-4

Recommendation #6

We recommend the department record revenue and deferred revenue according to state accounting policy.....9

Department Response: Concur..... B-4

Chapter I — Introduction

Introduction

We performed a financial-compliance audit of the Department of Fish, Wildlife and Parks (department) for the two fiscal years ended June 30, 2007. The objectives of the audit were to:

1. Determine whether the department complied with applicable laws and regulations.
2. Obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules, and, if appropriate, make recommendations for improvements in the management and internal controls of the department.
3. Evaluate the implementation status of prior audit recommendations.
4. Determine whether the financial schedules present fairly the results of the department's operations for each of the fiscal years ended June 30, 2007, and June 30, 2006, and whether the department's Schedule of Expenditures of Federal Awards for each of these fiscal years was fairly presented in relation to the financial schedules.

As required by section 17-8-101(6), MCA, we reviewed Internal Service Fund type fees and fund equity balances at the department. The statute requires fees and charges for services, which are deposited into Internal Service Funds, be based upon commensurate costs. During the audit period, the Internal Service Funds at the department included the duplicating center, equipment, aircraft, and warehouse inventory funds. We discuss the compliance of rates charged for these funds in the disclosure issue on page 11.

In accordance with section 5-13-307(2), MCA, we analyzed the costs of implementing the recommendations we made to the department and do not believe they are significant.

Background

The department's mission is to provide for the stewardship of the fish, wildlife, parks, and recreational resources of Montana while contributing to the quality of life for present and future generations.

The department's headquarters are located in Helena. The department maintains seven regional offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. There are also five area offices located in Libby, Havre, Lewistown, Butte, and Helena. A regional supervisor directs each region.

The five-member Fish, Wildlife and Parks Commission sets fish and wildlife regulations, approves property acquisitions, and approves certain rules and activities of the department

as provided by statute. Commission members are appointed by the governor and confirmed by the senate. Statute requires representation from five geographical areas of the state.

The department is currently authorized 680.60 full-time equivalent (FTE) positions, allocated to programs as noted below. The following paragraphs outline the department organization as reflected in program expenditures on the Schedule of Total Expenditures & Transfers-Out on pages A-9 and A-10.

Management and Finance (99.74 FTE) – provides department-wide support for accounting, fiscal management, personnel, purchasing and property management services, federal aid administration, and licensing of hunters and anglers. It is responsible for department direction regarding policy, planning, program development, guidelines and budgets, direct interaction with the Fish, Wildlife and Parks Commission, and decision-making authority for key resource activities affecting the department. This program includes the director's office and legal services for the department.

Capital Outlay (No assigned FTE) – accounts for major repair and maintenance of the department's properties, renovation and construction of facilities, and protection and enhancement of critical habitats.

Communication and Education (28.55 FTE) – is responsible for public relation functions of the department including film production and publication and distribution of the Montana Outdoors magazine. The division also informs the public about fish and wildlife laws, administrative rules, and policies designed to regulate outdoor recreational activities.

Enforcement (112.73 FTE) – is responsible for ensuring compliance with laws and regulations regarding fish, wildlife and parks through enforcement actions, education, and enhancing relations with landowners, recreational users and the general public.

Field Services (46.8 FTE) – furnishes support services to the department and its field offices. These functions include game damage program administration, landowner/sportsman relations, block management, design and construction of department facilities, aerial surveys and department transportation, and the acquisition and disposal of real estate and real property.

Fisheries (146.02 FTE) – is responsible for preserving and perpetuating all aquatic species and their ecosystems, and for meeting public demand for fishing opportunities and aquatic wildlife stewardship.

Parks (107.33 FTE) – is responsible for conserving the scenic, historic, archaeological, scientific, and recreational resources of certain state-owned properties including fishing access sites, and providing for their use and enjoyment.

Wildlife (103.93 FTE) – is responsible for the department’s statewide wildlife management program, which enhances the use of Montana renewable wildlife resources for public benefit. The goals of the division are to protect, regulate, and perpetuate wildlife populations with habitat management and regulated harvest; maintain and enhance wildlife habitat; and provide wildlife recreational opportunities to the public.

Information Services (35.5 FTE) – provides information management services to all department operations. These services include data network administration, hardware and software procurement and support of automated license sales and drawings.

User fees, such as hunting and fishing licenses and state park use fees, are the department’s primary sources of funding. The department also receives federal funds to aid in fish and wildlife restoration efforts, for parks development and maintenance, for boating safety, education and regulation, and for other programs.

Prior Audit Recommendations

The prior financial-compliance audit of the department for the two fiscal years ended June 30, 2005, contained 13 recommendations. The department implemented eight recommendations, partially implemented four recommendations, and did not implement one recommendation. We discuss the recommendation to implement procedures to ensure claims are paid according to contract terms, which was not implemented, on page 5. Issues related to partially implemented recommendations on recording donations as deferred revenue and charging fees commensurate with costs in internal service fund operations are discussed on pages 8 and 11, respectively. The other two partially implemented recommendations are discussed below.

Suspension and Debarment

The department’s Design and Construction Bureau did not have a control in place during the audit period to ensure contractors engaged by the department were not suspended and debarred from participation in federally funded programs. As a result, the department could not demonstrate compliance with requirements of federal regulations. Department officials implemented controls in the Procurement Bureau. In July 2007, the department initiated similar procedures in their Design and Construction Bureau. Since the department has adopted these procedures, we make no further recommendations at this time concerning suspension and debarment.

Reconciling Land Values

The department has not completed the reconciliation between values on its land unit inventory and the state's asset management records. At June 30, 2005, the amount of land on the state's accounting records exceeded the value on the department's land unit records by \$19 million. The unreconciled difference between the two land balances was \$6.7 million at June 30, 2007. Although the department has made significant progress toward reconciliation, the prior recommendation to reconcile the land balances on these two systems is still applicable.

Chapter II — Findings and Recommendations

Contract Payments

The department did not follow contract terms applicable to payments for some services.

The department purchases certain services under contract agreements. To determine whether payments are valid and supported, we traced invoices and payments to the terms of contracts. Of 16 contract payments tested, seven were not supported by current contract terms. In three instances, department personnel paid at a billed rate that differed from the contract. The department also paid for services twice under an expired contract, paid a charge not listed in an agreement, and paid for units of service in excess of those specified in an agreement.

The department paid \$7,500 for services not listed in the contract and \$21,544 for services for which there was not a valid contract. Since these payments did not follow state purchasing regulations, we question \$29,044 in associated federal grant costs. Four of the seven cases resulted in small payment differences, and one case did not cause payment error.

For a contracted service payment to be adequately supported, the payment should comply with terms of a valid contract. According to department personnel involved in the transactions, the department paid the billed amount. In cases where a valid contract had been executed, program personnel either did not have access to it or did not review it prior to approving the invoice. To establish effective control over contract payments, the department should ensure program personnel only approve payments that comply with terms of current contracts.

Department management said corrective action had been taken in response to a similar finding in the last audit. The corrective action plan included revision of the purchasing manual to designate the signer of the contract as the person responsible for ensuring contract terms were met and a form signed by the responsible person for each invoice submitted certifying compliance with contract terms.

RECOMMENDATION #1

We recommend the department monitor procedures to ensure personnel comply with contract terms when approving contract payments.

Approval of Grant Payments

Invoices were not approved by project managers prior to payment.

The department receives federal funding for its Sport Fish and Wildlife Restoration program for specific project grant proposals. Federal control guidance recommends accountability for authorization be assigned to an individual who is knowledgeable of the requirements pertaining to allowable costs. A department official overseeing federal aid programs identified project manager approval of invoices with charges to these grants as an important control to limit charges to the grant to allowable project costs.

Of 20 invoices we reviewed for the program, 12 were approved for payment by individuals other than the project manager. An accounting supervisor said the accounting staff has not been informed who the project managers or their authorized approvers are for individual grants. As a result, the accounting staff cannot determine whether the approver on an invoice is the project manager or the designee of the project manager. Thus, the invoice could be approved by an employee who is not familiar with the project requirements included in the grant budget. For the payment authorization control to function, program personnel should inform accounting who is the authorized approver for payments from each project grant. We confirmed all invoices tested were allowable costs of the grants charged.

RECOMMENDATION #2

We recommend the department document the authorized approvers for payments from each project grant.

Cash Management

The department did not seek timely federal reimbursement for construction projects.

The department receives federal funding for several construction projects. Federal regulations allow the department to draw federal funding for the projects on a reimbursement basis as expenditures are made. The department expended \$534,312 on construction projects from a federal grant account in fiscal year 2006-07, but did not draw any federal reimbursement. To pay these costs, the department obtained non-interest bearing loans from other department funds, including accounts authorized to retain interest earnings. As a result of not drawing federal grant funds at the time of expenditure, the lending accounts did not earn interest on amounts loaned, as discussed on page 7.

A program official said the department requests reimbursement when the projects it builds are completed because it does not pay subgrantees for projects they build until a project is completed. Section 17-2-107(9), MCA, requires the department to certify, as a condition of approval for the interentity loan, that it will bill the federal government at the earliest possible time allowed by federal regulations. Reimbursement for the periodic construction payments should be sought as those payments are made as allowed by federal regulation and as required by state law.

RECOMMENDATION #3

We recommend the department seek federal reimbursement at the time expenditures occur as allowed by federal regulation and required by state law.

Loans from General License Account

By making non-interest bearing interentity loans, the department cost the General License Account \$7,524 in interest income.

Section 87-1-601, MCA, restricts the use of certain money, including fishing and hunting license fees, to administrative costs of protecting habitat, regulating fish and wildlife populations, and enforcing hunting and fishing regulations. State law requires the department to invest cash balances of this General License Account and to retain the investment earnings. During the fiscal year ended June 30, 2007, the department made 10 non-interest bearing interentity loans ranging from \$2,000 to \$650,000 from this account.

These loans financed parks functions and construction costs such as those discussed in the previous section. These uses are not included among the uses allowed by federal law and regulations assented to in sections 87-1-701, MCA, and 87-1-708, MCA. As a result of these loans to accounts that expend funds for purposes outside those specified in state law, the department forfeited \$7,524 in interest earnings from the General License Account. By diverting these funds, the department risks the loss of federal funding in excess of \$12 million annually that is contingent upon complying with the restriction on use of license receipts. An accounting manager said the department usually uses another account to make these loans and generally repays the loans quickly. We noted that the term of loans is extended when the loan covers payments of construction expenses for which federal reimbursement is not sought.

RECOMMENDATION #4

We recommend the department use General License Account funds for allowable purposes.

Habitat Easements

The department recorded the purchase of 30-year habitat easements as current period rent expenditures.

The department purchased 30-year easements for sage grouse habitat as part of the Landowner Incentive Program (LIP) and recorded the one-time payments as rent. Under state accounting policy, rent is classified as an operating expenditure, which is a consumable cost of operations and does not include the purchase of assets for long-term use. As a result, the department overstated rent expenditures and understated capital outlay expenditures by \$1,414,980 and \$609,768 in fiscal years 2005-06 and 2006-07, respectively. As a result of recording the easements as operating expenditures, the department did not record the assets on the state's accounting records.

Department personnel said the LIP easements did not transfer title to the department like other conservation easements, so rent expenditures were recorded. However, under state accounting policy, the LIP easements would be assets with an initial useful life of more than one year. These assets should be recorded on the state's accounting records and amortized over the period the easement is in effect.

RECOMMENDATION #5

We recommend the department record the purchase of long-term easements in compliance with state accounting policy.

Revenue Recognition

State accounting policy states that revenue should be recorded if it is measurable, realizable, earned and available. Revenue should be deferred in a governmental fund if cash has been received in advance of goods or services being provided. We noted two instances where the department did not follow state policy in its use of deferred revenue.

- ♦ The department improperly used the deferred revenue account to record transactions for which state policy requires the use of the accounts receivable account. As a result, accounts receivable and deferred revenue were understated by \$53,079 in the state special revenue fund at June 30, 2007. Accounting personnel said the deferred revenue account had been used in this way for a number of years.
- ♦ The department has donation boxes at various state parks. When the donations are collected, the department records deferred revenue if the park has established an account to receive donations. Since the donations are cash with no restrictions attached, state policy indicates these receipts should be recorded as revenue. As a result, deferred revenue was overstated and revenue was understated in the state special revenue fund by \$17,305 and \$9,948 at June 30, 2006, and 2007, respectively. A department accounting manager said personnel did not think the donations were realizable because they were donated specifically to a park. We believe management's decision to designate donations to specific parks does not alter revenue recognition criteria.

Department personnel should follow the guidance in state policy regarding the use of revenue and deferred revenue accounts.

RECOMMENDATION #6

We recommend the department record revenue and deferred revenue according to state accounting policy.

Chapter III — Disclosure Issues

Overhead Account

In its administration of federally funded and state funded programs, the department incurs indirect costs. Indirect costs are those costs that benefit more than one program, e.g. accounting services and department management. The department applies indirect cost rates to direct costs for both state and federal programs. As discussed in the prior audit report, these indirect cost recoveries have been accounted for in the overhead account in the federal special revenue fund since at least 1982.

Section 17-1-106(5), MCA, states, “...indirect costs recovered from federal sources pursuant to the statewide cost allocation plan provided in 17-1-105, MCA, except those costs recovered by a unit of the university system, must be deposited in the general fund. All other indirect costs, except those costs recovered by a unit of the university system, must be deposited in the fund from which the indirect costs were originally paid.”

The department’s primary source of revenue, excluding federal grants, is its General License Account in the state special revenue fund, which is the initial source of most funding for the costs that are included in the indirect cost rate. As of July 1, 2007, the department started recording indirect cost recoveries in the General License Account, in compliance with section 17-1-106(5), MCA. Although the department has no current budget authority in the overhead account, it has not transferred the residual assets from previous indirect cost recoveries to the General License Account. At June 30, 2007, the fund balance in the overhead account was \$1,583,545. By not transferring the assets, the department does not earn interest for the General License Account on the balance not transferred.

This issue is presented for disclosure purposes only and we make no recommendation at this time.

Internal Service Fund Rates

The department administers internal service funds to provide printing services, supplies, equipment, and aircraft to other program operations within the department. Section 17-8-101(6), MCA, requires the fees charged for services provided by internal service funds be commensurate to the costs of the goods or services.

Of the four internal service funds operated by the department, we noted two had negative working capital, indicating that rates charged did not recover costs of the goods and services. A third fund had working capital of 489 days at June 30, 2007. As a general rule, the working capital of an internal service fund should not exceed the needs of a 60-day

period. Working capital is determined by calculating current assets less current liabilities and is the net current resources available to finance operations. The printing services fund charged fees commensurate with costs. The following table shows the working capital balances at June 30, 2006, and 2007.

Table 1
Working Capital Available

Internal Service Fund	June 30, 2006	June 30, 2007
Equipment	\$(59,046)	\$(338,501)
Fish, Wildlife & Parks Aircraft	0	(172,626)
Fish & Game Warehouse	160,384	136,365

Source: Compiled by the Legislative Audit Division.

The department sought and obtained rate increases in its equipment and aircraft funds for the 2009 biennium. Using these rates and cost factors for that period, we projected revenue and expenditures in these funds. We estimated that the approved rates will not be sufficient to recover costs at a similar level of activity during the next biennium, even though department calculated, requested, and received approval for increased rates.

The warehouse fund had merchandise inventory of \$119,210 and a \$16,800 working capital limit at June 30, 2007, but only sold \$76,728 in goods during fiscal year 2006-07. Of the inventory balance, 96.5 percent consists of clothing items with department logo or identification which the department requires field staff to wear. A department official said the department decreased cash in the warehouse fund, but must keep sufficient inventory on hand to furnish staff with the clothing required by department policy.

This information related to internal service cost rates is presented for disclosure purposes only and we make no recommendations at this time.

Independent Auditor's Report & Department Financial Schedules

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedule of Changes in Fund Balances & Property Held in Trust, Schedule of Total Revenues & Transfers-In, and Schedule of Total Expenditures & Transfers-Out of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 2007, and 2006. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances and property held in trust of the Department of Fish, Wildlife and Parks for each of the fiscal years ended June 30, 2007, and 2006, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

August 29, 2007

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
FUND BALANCE: July 1, 2006	\$ 6,682	\$ 77,591,798	\$ 2,697,079	\$ 193,467	\$ 6,347,965	\$ 0	\$ 28,792,546
PROPERTY HELD IN TRUST: July 1, 2006						\$ 4,284,000	
ADDITIONS							
Budgeted Revenues & Transfers-In	4,585	56,448,198	23,989,984	5,200	2,721,120		2,399,484
Nonbudgeted Revenues & Transfers-In		4,713,205		102,147	30,094		7,909
Prior Year Revenues & Transfers-In Adjustments		(38,743)	(70,743)	2,846			(6,472)
Direct Entries to Fund Balance	(4,585)	3,228,939	(403,644)		(7,229)		501,753
Additions to Property Held in Trust						353,817	
Total Additions	0	64,351,599	23,515,597	110,193	2,743,985	353,817	2,902,674
REDUCTIONS							
Budgeted Expenditures & Transfers-Out		50,947,262	24,725,842	85,081	3,045,685		
Nonbudgeted Expenditures & Transfers-Out		3,114,339	600	(2,981)	148,783		1,621,352
Prior Year Expenditures & Transfers-Out Adjustments		186,027	37,946	814	14,958		
Reductions in Property Held in Trust						4,430,040	
Total Reductions	0	54,247,628	24,764,388	82,914	3,209,426	4,430,040	1,621,352
FUND BALANCE: June 30, 2007	\$ 6,682	\$ 87,695,769	\$ 1,448,288	\$ 220,746	\$ 5,882,524	\$ 0	\$ 30,073,868
PROPERTY HELD IN TRUST: June 30, 2007						\$ 207,777	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Permanent Fund
FUND BALANCE: July 1, 2005	\$ 7,388	\$ 69,579,295	\$ 3,009,203	\$ 136,578	\$ 6,748,781	\$ 150	\$ 28,956,476
PROPERTY HELD IN TRUST: July 1, 2005						\$ 3,122,228	
ADDITIONS							
Budgeted Revenues & Transfers-In		50,081,355	28,378,787	3,714	2,489,541		825,513
Nonbudgeted Revenues & Transfers-In		4,467,849		92,991	110,294		1,610
Prior Year Revenues & Transfers-In Adjustments	(706)	1,096,344	4,147,134	12,875	1,750		(5,910)
Direct Entries to Fund Balance		4,935,069	(636,881)	(1)	1	(150)	451,940
Additions to Property Held in Trust						57,719,408	
Total Additions	(706)	60,580,617	31,889,040	109,579	2,601,586	57,719,258	1,273,153
REDUCTIONS							
Budgeted Expenditures & Transfers-Out		50,053,256	28,915,915	94,408	2,884,506		
Nonbudgeted Expenditures & Transfers-Out		2,578,771	7	(41,759)	47,855		1,437,083
Prior Year Expenditures & Transfers-Out Adjustments		(63,913)	3,285,242	42	70,041		
Reductions in Property Held in Trust						56,557,636	
Total Reductions		52,568,114	32,201,164	52,690	3,002,403	56,557,636	1,437,083
FUND BALANCE: June 30, 2006	\$ 6,682	\$ 77,591,798	\$ 2,697,079	\$ 193,467	\$ 6,347,965	\$ 0	\$ 28,792,546
PROPERTY HELD IN TRUST: June 30, 2006						\$ 4,284,000	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Permanent Fund	Total
Licenses and Permits							
Taxes		\$ 45,542,050				\$ 430,516	\$ 45,972,566
Charges for Services		3,069,654			\$ 17		3,069,671
Investment Earnings		1,378,975	\$ 105,164		2,448,115		3,932,254
Fines, Forfeits and Settlements		3,970,158		\$ 5,200		1,832,935	5,803,293
Sale of Documents, Merchandise and Property	\$ 4,585	117,933					122,518
Rentals, Leases and Royalties		326,824		104,993			431,817
Miscellaneous			11,064			130,645	130,645
Grants, Contracts, Donations and Abandonments		211,234					211,234
Other Financing Sources		2,489,152					2,489,152
Federal		4,026,930			30,077	6,825	4,063,832
Federal Indirect Cost Recoveries		(10,250)					21,113,755
Capital Contributions			2,679,008				2,679,008
Total Revenues & Transfers-In	4,585	61,122,660	23,919,241	110,193	273,005		273,005
Less: Nonbudgeted Revenues & Transfers-In		4,713,205		102,147	2,751,214	2,400,921	90,308,814
Prior Year Revenues & Transfers-In Adjustments		(38,743)	(70,743)	2,846	30,094	7,909	4,853,355
Actual Budgeted Revenues & Transfers-In	4,585	56,448,198	23,989,984	5,200	2,721,120	(6,472)	(113,112)
Estimated Revenues & Transfers-In	5,000	56,155,007	23,867,300	5,000	2,731,500	2,399,484	85,568,571
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (415)	\$ 293,191	\$ 122,684	\$ 200	\$ (10,380)	\$ (9,516)	\$ 395,764
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS							
Licenses and Permits		\$ 22,795				\$ 1,035	\$ 23,830
Taxes		272,430					272,430
Charges for Services		(5,013)	\$ 6,353		\$ (8,385)		(7,045)
Investment Earnings		9,929		\$ 200		(11,150)	(1,022)
Fines, Forfeits and Settlements	\$ (415)	1,832					1,417
Sale of Documents, Merchandise and Property		402					402
Rentals, Leases and Royalties						599	599
Miscellaneous			812				(888)
Grants, Contracts, Donations and Abandonments		(1,700)					1,879
Other Financing Sources		1,879					(9,362)
Federal		(9,362)					73,106
Federal Indirect Cost Recoveries			73,106				42,413
Capital Contributions			42,411				
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (415)	\$ 293,190	\$ 122,683	\$ 200	\$ (1,995)	\$ (9,516)	\$ (1,995)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Permanent Fund	Total
Licenses and Permits							
Taxes		\$ 41,650,100				\$ 412,472	\$ 42,062,572
Charges for Services		3,143,962	\$ 3,526				3,147,488
Investment Earnings		1,348,099	105,887		\$ 2,491,292		3,945,288
Fines, Forfeits and Settlements		2,521,106		\$ 10		249,099	2,773,909
Sale of Documents, Merchandise and Property		107,745					107,039
Rentals, Leases and Royalties	\$ (706)	317,438		105,866	978		424,282
Miscellaneous						159,642	159,642
Grants, Contracts, Donations and Abandonments		210,221	1,647				211,868
Other Financing Sources		1,816,946					1,816,946
Federal		4,519,960	8,456		109,316		4,637,732
Federal Indirect Cost Recoveries		9,971					29,164,005
Total Revenues & Transfers-In	(706)	55,645,548	32,525,921	109,580	2,601,586	821,213	91,703,142
Less: Nonbudgeted Revenues & Transfers-In		4,467,849		92,991	110,294	1,610	4,672,744
Prior Year Revenues & Transfers-In Adjustments	(706)	1,096,344	4,147,134	12,875	1,750	(5,910)	5,251,487
Actual Budgeted Revenues & Transfers-In	0	50,081,355	28,378,787	3,714	2,489,542	825,513	81,778,911
Estimated Revenues & Transfers-In	27,888	39,939,682	36,290,000	75,000	2,607,500		78,940,070
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (27,888)	\$ 10,141,673	\$ (7,911,213)	\$ (71,286)	\$ (117,958)	\$ 825,513	\$ 2,838,841

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Permanent Fund	Total
Licenses and Permits							
Taxes		\$ 10,107,186				\$ 420,381	\$ 10,527,567
Charges for Services		349,042					349,042
Investment Earnings		(279,352)	\$ 88,007	\$ 10	\$ (117,958)		(309,293)
Fines, Forfeits and Settlements		2,092,035		3,704		247,490	2,343,229
Sale of Documents, Merchandise and Property		130,283					102,395
Rentals, Leases and Royalties	\$ (27,888)	69,494		(75,000)			(5,506)
Miscellaneous						157,642	157,642
Grants, Contracts, Donations and Abandonments		(185,840)	1,648				(184,192)
Other Financing Sources		(33,572)					(33,572)
Federal		(2,117,853)	20,156				(2,097,697)
Federal Indirect Cost Recoveries		10,250	(8,114,630)				(8,104,380)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (27,888)	\$ 10,141,673	\$ (7,911,213)	\$ (71,286)	\$ (117,958)	\$ 825,513	\$ 2,838,841

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH,WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Information Services Division	Capital Outlay	Conservation Education Division	Management and Finance	Enforcement Division	Field Services Division	Fisheries Division	Parks Division	Wildlife Division	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT										
Personal Services										
Salaries	\$ 1,592,621		\$ 1,269,346	\$ 4,158,037	\$ 4,502,777	\$ 1,677,554	\$ 6,414,317	\$ 3,609,518	\$ 4,776,233	\$ 28,000,403
Hourly Wages					9,620		54	1,315		10,989
Other Compensation				7,500		200		400		8,100
Employee Benefits	471,577		406,002	1,368,991	1,519,828	496,833	2,098,149	1,155,062	1,454,930	8,971,372
Personal Services-Other				4,454						4,454
Total	<u>2,064,198</u>		<u>1,675,348</u>	<u>5,538,982</u>	<u>6,032,225</u>	<u>2,174,587</u>	<u>8,512,520</u>	<u>4,766,295</u>	<u>6,231,163</u>	<u>36,995,318</u>
Operating Expenses										
Other Services	787,328	\$ 287,978	748,394	2,668,779	124,118	5,042,424	1,372,473	534,461	1,466,282	13,032,237
Supplies & Materials	171,765	73,811	340,243	1,408,137	396,514	360,644	1,245,337	473,779	603,628	5,073,858
Communications	51,818	674	111,130	478,443	170,266	91,521	204,784	108,944	170,178	1,387,758
Travel	35,679	28,529	112,498	167,876	712,539	377,559	798,070	423,117	717,561	3,373,428
Rent	61,326	367,755	11,076	376,202	46,557	102,605	124,279	52,688	595,109	1,737,597
Utilities		2,698	13,748	194,246	6,555	20,449	241,258	154,712	30,246	663,912
Repair & Maintenance	63,847	62,405	9,652	565,351	69,387	429,284	397,146	845,841	123,602	2,566,515
Other Expenses	205,258	1,613	94,155	1,284,881	188,096	538,118	168,339	80,403	74,310	2,635,173
Goods Purchased For Resale			1,862	91,984	8		19	75,810		169,683
Total	<u>1,377,021</u>	<u>825,463</u>	<u>1,442,758</u>	<u>7,235,899</u>	<u>1,714,040</u>	<u>6,962,604</u>	<u>4,551,705</u>	<u>2,749,755</u>	<u>3,780,916</u>	<u>30,640,161</u>
Equipment & Intangible Assets										
Equipment	18,776	63,600		25,956	70,374	13,087	413,131	284,638	26,653	916,215
Intangible Assets				(26,700)						(26,700)
Total	<u>18,776</u>	<u>63,600</u>		<u>(744)</u>	<u>70,374</u>	<u>13,087</u>	<u>413,131</u>	<u>284,638</u>	<u>26,653</u>	<u>889,515</u>
Capital Outlay										
Land & Interest In Land		5,328,835								5,328,835
Buildings		112,268								112,268
Other Improvements		4,449,763					50,000			4,499,763
Total		<u>9,890,866</u>					<u>50,000</u>			<u>9,940,866</u>
Grants										
From State Sources	69,389	208,902	120,342		32,685	34,320	30,000	432,336	115,000	1,042,974
From Federal Sources		1,092,169			2,685					1,094,854
Total	<u>69,389</u>	<u>1,301,071</u>	<u>120,342</u>		<u>35,370</u>	<u>34,320</u>	<u>30,000</u>	<u>432,336</u>	<u>115,000</u>	<u>2,137,828</u>
Benefits & Claims										
From State Sources						1,700				1,700
Total						<u>1,700</u>				<u>1,700</u>
Transfers										
Accounting Entity Transfers	91,305			3,249,852				(20,837)		3,320,320
Total	<u>91,305</u>			<u>3,249,852</u>				<u>(20,837)</u>		<u>3,320,320</u>
Total Expenditures & Transfers-Out	\$ <u>3,620,689</u>	\$ <u>12,081,000</u>	\$ <u>3,238,448</u>	\$ <u>16,023,989</u>	\$ <u>7,852,009</u>	\$ <u>9,186,298</u>	\$ <u>13,557,356</u>	\$ <u>8,212,187</u>	\$ <u>10,153,732</u>	\$ <u>83,925,708</u>
EXPENDITURES & TRANSFERS-OUT BY FUND										
State Special Revenue Fund	\$ 2,781,597	\$ 7,331,120	\$ 2,369,362	\$ 8,745,893	\$ 7,499,260	\$ 8,037,793	\$ 5,171,617	\$ 7,635,082	\$ 4,675,904	\$ 54,247,629
Federal Special Revenue Fund	687,701	4,749,880	869,086	3,021,260	352,749	725,954	8,385,739	494,191	5,477,828	24,764,387
Enterprise Fund								82,914		82,914
Internal Service Fund	151,391			2,635,484		422,551				3,209,426
Permanent Fund				1,621,352						1,621,352
Total Expenditures & Transfers-Out	<u>3,620,689</u>	<u>12,081,000</u>	<u>3,238,448</u>	<u>16,023,989</u>	<u>7,852,009</u>	<u>9,186,298</u>	<u>13,557,356</u>	<u>8,212,187</u>	<u>10,153,732</u>	<u>83,925,708</u>
Less: Nonbudgeted Expenditures & Transfers-Out	151,391	143,457	63,852	3,223,427	58,112		761,062	134,960	345,831	4,882,092
Prior Year Expenditures & Transfers-Out Adjustments	<u>91,912</u>	<u>(390)</u>	<u>7,006</u>	<u>(7,333)</u>	<u>19,851</u>	<u>20,321</u>	<u>85,498</u>	<u>15,292</u>	<u>7,590</u>	<u>239,747</u>
Actual Budgeted Expenditures & Transfers-Out	3,377,386	11,937,933	3,167,590	12,807,895	7,774,046	9,165,977	12,710,796	8,061,935	9,800,311	78,803,869
Budget Authority	3,394,016	85,177,837	3,174,015	16,763,517	7,839,814	10,025,813	17,132,320	8,716,352	12,618,240	164,841,924
Unspent Budget Authority	\$ <u>16,630</u>	\$ <u>73,239,904</u>	\$ <u>6,425</u>	\$ <u>3,955,622</u>	\$ <u>65,768</u>	\$ <u>859,836</u>	\$ <u>4,421,524</u>	\$ <u>654,417</u>	\$ <u>2,817,929</u>	\$ <u>86,038,055</u>
UNSPENT BUDGET AUTHORITY BY FUND										
State Special Revenue Fund	\$ 1,386	\$ 45,855,010	\$ 4,419	\$ 548,808	\$ 34,485	\$ 805,133	\$ 583,836	\$ 571,505	\$ 600,171	\$ 49,004,753
Federal Special Revenue Fund	15,244	16,884,894	2,006	3,377,786	31,283	46,006	3,837,688	81,271	2,217,758	26,493,935
Capital Projects Fund		10,500,000								10,500,000
Enterprise Fund								1,641		1,641
Internal Service Fund				29,028		8,697				37,725
Unspent Budget Authority	\$ <u>16,630</u>	\$ <u>73,239,904</u>	\$ <u>6,425</u>	\$ <u>3,955,622</u>	\$ <u>65,768</u>	\$ <u>859,836</u>	\$ <u>4,421,524</u>	\$ <u>654,417</u>	\$ <u>2,817,929</u>	\$ <u>86,038,054</u>

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Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Information Services Division	Capital Outlay	Conservation Education Division	Management and Finance	Enforcement Division	Field Services Division	Fisheries Division	Parks Division	Wildlife Division	Total
Personal Services										
Salaries	\$ 1,318,739		\$ 1,156,761	\$ 3,946,724	\$ 4,397,158	\$ 1,584,991	\$ 5,998,236	\$ 3,489,980	\$ 4,579,544	\$ 26,472,133
Hourly Wages				43	6,812	2,395	637	2,209	152	12,248
Other Compensation				7,150		150	12			7,312
Employee Benefits	379,799		353,597	1,269,348	1,371,641	462,975	1,863,396	1,050,395	1,338,956	8,090,107
Personal Services-Other	(6,043)			5,327				(1,238)		(1,954)
Total	1,692,495		1,510,358	5,228,592	5,775,611	2,050,511	7,862,281	4,541,346	5,918,652	34,579,846
Operating Expenses										
Other Services	786,059	\$ 287,092	583,782	3,118,439	70,794	4,984,240	1,655,831	372,009	1,458,705	13,316,951
Supplies & Materials	270,046	176,363	472,185	1,254,367	509,007	470,075	1,322,596	707,879	800,785	5,983,303
Communications	29,544	273	166,688	432,342	164,980	82,853	207,834	124,802	173,377	1,382,693
Travel	36,026	18,855	104,579	180,414	653,341	376,266	729,384	440,125	739,844	3,278,834
Rent	66,755	770,605	18,554	363,843	48,291	94,516	170,012	52,754	1,105,160	2,690,490
Utilities		4,809	10,529	199,341	6,250	10,773	296,854	178,201	27,078	733,835
Repair & Maintenance	42,476	99,053	20,204	605,762	62,853	329,075	698,581	803,415	140,859	2,802,278
Other Expenses	956,596	2,002	103,729	679,375	101,678	484,857	241,615	64,592	56,438	2,690,882
Goods Purchased For Resale			5,821	113,940	28	39	7	89,244	555	209,634
Total	2,187,502	1,359,052	1,486,071	6,947,823	1,617,222	6,832,694	5,322,714	2,833,021	4,502,801	33,088,900
Equipment & Intangible Assets										
Equipment	(17,271)		5,000	(102,926)	82,664	6,458	499,454	282,837	109,219	865,435
Livestock							2,200			2,200
Total	(17,271)		5,000	(102,926)	82,664	6,458	501,654	282,837	109,219	867,635
Capital Outlay										
Land & Interest In Land		10,574,958							35,000	10,609,958
Buildings		455,883					66			455,949
Other Improvements		4,592,175								4,592,175
Total		15,623,016					66		35,000	15,658,082
Grants										
From State Sources	69,389	1,213,785	135,689		17,700	30,680	70,000	470,024	136,236	2,143,503
From Federal Sources					17,700					17,700
Total	69,389	1,213,785	135,689		35,400	30,680	70,000	470,024	136,236	2,161,203
Benefits & Claims										
From State Sources						6,188				6,188
Total						6,188				6,188
Transfers										
Accounting Entity Transfers				2,750,421				149,179		2,899,600
Total				2,750,421				149,179		2,899,600
Total Expenditures & Transfers-Out	\$ 3,932,115	\$ 18,195,853	\$ 3,137,118	\$ 14,823,910	\$ 7,510,897	\$ 8,926,531	\$ 13,756,715	\$ 8,276,407	\$ 10,701,908	\$ 89,261,454
EXPENDITURES & TRANSFERS-OUT BY FUND										
State Special Revenue Fund	\$ 2,504,193	\$ 6,376,336	\$ 2,263,203	\$ 8,314,654	\$ 7,196,455	\$ 7,872,577	\$ 5,595,443	\$ 7,730,795	\$ 4,714,458	\$ 52,568,114
Federal Special Revenue Fund	630,581	11,819,517	873,915	3,264,298	314,442	749,368	8,161,272	400,321	5,987,450	32,201,164
Enterprise Fund								52,690		52,690
Internal Service Fund	797,341			1,807,875		304,586		92,601		3,002,403
Permanent Fund				1,437,083						1,437,083
Total Expenditures & Transfers-Out	3,932,115	18,195,853	3,137,118	14,823,910	7,510,897	8,926,531	13,756,715	8,276,407	10,701,908	89,261,454
Less: Nonbudgeted Expenditures & Transfers-Out	803,734	80,783	59,529	1,959,290	26,732	1,266	690,718	139,616	260,287	4,021,955
Prior Year Expenditures & Transfers-Out Adjustments	25,426	3,254,000	4,274	57,396	(264)	(2,633)	26,027	(81,414)	8,601	3,291,413
Actual Budgeted Expenditures & Transfers-Out	3,102,955	14,861,070	3,073,315	12,807,224	7,484,429	8,927,898	13,039,970	8,218,205	10,433,020	81,948,086
Budget Authority	3,193,677	66,425,211	3,246,648	15,984,961	7,607,435	9,156,834	18,946,481	8,747,680	12,572,651	145,881,578
Unspent Budget Authority	\$ 90,722	\$ 51,564,141	\$ 173,333	\$ 3,177,737	\$ 123,006	\$ 228,936	\$ 5,906,511	\$ 529,475	\$ 2,139,631	\$ 63,933,492
UNSPENT BUDGET AUTHORITY BY FUND										
State Special Revenue Fund	\$ 892	\$ 35,074,133	\$ 100,779	\$ 494,889	\$ 47,321	\$ 215,549	\$ 499,288	\$ 390,193	\$ 239,063	\$ 37,062,107
Federal Special Revenue Fund	89,830	16,490,008	72,554	2,677,115	75,685	10,859	5,407,223	138,468	1,900,568	26,862,310
Enterprise Fund								814		814
Internal Service Fund				5,733		2,528				8,261
Unspent Budget Authority	\$ 90,722	\$ 51,564,141	\$ 173,333	\$ 3,177,737	\$ 123,006	\$ 228,936	\$ 5,906,511	\$ 529,475	\$ 2,139,631	\$ 63,933,492

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

Montana Department of Fish, Wildlife and Parks

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2007

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, Capital Projects, and Permanent). In applying the modified accrual basis, the department records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The department uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.

- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include private grants, donations, revenue from licenses and permits, and mitigation funds for wildlife and fisheries.
- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include sport fish and wildlife restoration, parks development, boating safety, education and regulation and other federal programs.
- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The department uses this fund for projects administered by the Department of Administration's Architecture and Engineering Division.
- ♦ **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the department's programs. The department uses this fund to record revenue from the sale or lease of department lands and the department's share of the state coal severance tax. Revenue earned from the investment of the trust fund money is transferred to the state special revenue fund for expenditure.

Proprietary Fund Category

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by the department to other agencies of state government or to other funds within the department on a cost-reimbursement basis. Department Internal Service Funds include duplication services, department owned vehicles, aircraft, and warehouse inventory items.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The department's enterprise fund is the Visitor's Services Fund. This fund accounts for obtaining and selling educational, commemorative and interpretive merchandise at various sites throughout the state.

Fiduciary Fund Category

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal clearing account activity but these must have a zero balance at fiscal year-end. The department agency fund is used for bad debt collections and as a clearing account for license drawings.

2. General Fund Balance

The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the fiscal years ended June 30, 2006, and June 30, 2007. These balances reflect the results of the activity of the department and not the fund balance of the statewide General Fund.

3. Direct Entries to Fund Balance

Direct entries to fund balances in the State Special Revenue Fund, Federal Special Revenue Fund, and Permanent Fund include entries generated by state's accounting records to reflect the flow of resources within individual accounts and funds shared by separate agencies.

4. Capital Outlay Unspent Budget Authority

The Capital Outlay program had unspent budget authority of \$51.6 million at June 30, 2006 and \$73.2 million at June 30, 2007. Capital projects are approved by each Legislature and can take several years to complete. Budgetary authority carries over each fiscal year until the projects are finished and any remaining authority is then reverted. The unspent authority at June 30, 2007 includes approximately \$33.3 million of budget authority authorized by the 2007 Legislature, including \$10.5 million in the Capital Projects Fund.

5. Property Held in Trust

The additions and reductions to Property Held in Trust in the Agency Fund represent all transactions posted to the Property Held in Trust account. The decrease in additions and reductions between fiscal year 2005-06 and 2006-07 reflects the revised process for handling special permit drawing fees. This activity was recorded in the State Special Revenue Fund instead of the Agency Fund in fiscal year 2006-07.

6. Montana Fish, Wildlife and Parks Foundation

The department has an operating agreement with the Montana Fish, Wildlife and Parks Foundation (foundation), a non-profit 501(c)(3) corporation. The foundation exists to engage in activities related to the preservation and enhancement of the natural, cultural, and recreational resources in Montana and to provide support from the private sector for the efforts of the department in these areas

DEPARTMENT OF FISH,
WILDLIFE AND PARKS

DEPARTMENT RESPONSE



Montana Fish, Wildlife & Parks

B-3

P.O. Box 200701
Helena, MT 59620-0701
(406) 444-3186
FAX: 406-444-4952
Ref: DO516-07
October 26, 2007

Scott Seacat, Legislative Auditor
Legislative Audit Division
State Capitol
Helena, MT 59620

RECEIVED
OCT 26 2007
LEGISLATIVE AUDIT DIV.

Dear Mr. Seacat:

The Department of Fish, Wildlife & Parks (FWP) has reviewed the FY2006 and FY2007 financial compliance audit prepared for FWP. FWP appreciates the opportunity to respond to your findings and the professional manner in which the audit was conducted.

FWP prepared the following responses to the six recommendations made by your office. FWP concurs with each of your recommendations and stated its plan to implement corrective actions. FWP will also be submitting a corrective action plan to the OBPP that contains a proposed timetable.

Recommendation #1 – We recommend the department monitor procedures to ensure personnel comply with contract terms when approving contract payments.

Concur. The FY2004 and FY2005 audit identified a similar issue. FWP implemented corrective action plan recommendations which included revising payment voucher covers to include a certification statement and signature attesting to the contract compliance, updating the purchasing manual to reflect the new policy, and having discussions with the Management Team whose members are ultimately responsible for implementation of policies.

However, the audit team's work indicates there are still issues with payments not being made according to contract terms. FWP will consider further improvements to the voucher cover and expand annual training sessions to address this issue specifically. FWP will continue to emphasize accountability at the Management Team level.

Recommendation #2 – We recommend the department document the authorized approvers for payments from each project grant.

Concur. FWP receives federal grant funds from the US Fish and Wildlife Service (USFWS) for Sport Fish and Wildlife Restoration programs. Federal guidelines require that controls be in place to assure proper expenditure for allowable costs. FWP will identify and document internal

control procedures that meet both state and federal requirements, and provide training for FWP staff to ensure proper implementation.

Recommendation #3 – We recommend the department seek federal reimbursement at the time expenditures occur as allowed by federal regulation and required by state law.

Concur. FWP has already worked with program staff to implement changes to the billing process to guarantee timely reimbursements from the federal program. These changes include monthly reconciliation and billing by the grants accountant.

Recommendation #4 – We recommend the department use general license account funds for allowable purposes.

Concur. The assent legislation that the State incorporated into statute so that Montana could participate in the Sport Fish and Wildlife Restoration grant programs through the USFWS requires that license revenues be used only for expenses associated with the administration of the fish and wildlife agency. The associated federal code goes further to specify that these funds should only pay for "functions required to manage the fish & wildlife-oriented resources of the state...".

Since the duration of the loan discussed in the audit was short, USFWS staff in Denver have indicated that this is likely not a case of diversion, as the funds were not used to permanently pay for an ineligible expense. However, USFWS staff do feel that it is in FWP's best interest to use other non-license accounts to correct any such shortfalls in the future, particularly if another account exists that could be used to accomplish the same objective.

Recommendation #5 -- We recommend the department record the purchase of long-term easements in compliance with state accounting policy.

Concur. FWP will work with DOA Accounting staff to establish the appropriate means within SABHRS to record the cost over the life of the agreement.

Recommendation #6 – We recommend the department record revenue and deferred revenue according to state accounting policy.

Concur. There are two issues identified by the auditors that need addressed. First, FWP will update the fiscal year end procedures to include steps that ensure all deferred revenue is accurately reported at fiscal year end.

Second, FWP will follow state accounting policy regarding the definition of restricted donations and implement changes that may be needed to appropriately record the revenue.

Finally, Chapter III of the audit refers to a disclosure item regarding the overhead account. The previous audit noted that all overhead collected should be deposited in the fund from which the

indirect costs were originally paid. Beginning in FY08, all overhead collections are being recorded in state special revenue funds. FWP requested and received approval from the 2007 Legislature to adjust its FY08 expenditure authority so that overhead collections can be spent from state funds. The FYE07 overhead balance and related accounts will be transferred to the appropriate state funds as soon as FWP's analysis of the fund is complete. FWP anticipates completing this by November 30, 2007.

FWP appreciates the opportunity to work with your staff to improve the financial management of FWP. If you have any questions, please contact me.

Sincerely,



M. Jeff Hagener
Director